

XYRATEX LTD
Form 6-K
March 31, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

March 31, 2010

Commission File Number:0001284823

XYRATEX LTD

(Translation of registrant's name into English)

**Langstone Road,
Havant
PO9 1SA
United Kingdom**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1)

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7)

Edgar Filing: XYRATEX LTD - Form 6-K

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

If is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

NEWS RELEASE

For Immediate Release

Xyratex Ltd Announces Final Results for the First Quarter Fiscal Year 2010

Havant, UK March 31, 2010 Xyratex Ltd (Nasdaq: XRTX), a leading provider of enterprise class data storage subsystems and storage process technology, today announced final results for the first fiscal quarter ended February 28, 2010. Revenues for the first quarter were \$319.0 million, an increase of 73.5% compared to revenues of \$183.9 million for the same period last year.

For the first quarter, GAAP net income was \$26.3 million, or \$0.85 per diluted share, compared to GAAP net loss of \$16.1 million, or \$0.55 per share, in the same period last year. Non-GAAP net income was \$29.4 million, or \$0.96 per diluted share, compared to non-GAAP net loss of \$10.5 million, or \$0.36 per share, in the same quarter a year ago (1).

Gross profit margin in the first quarter increased to 18.1%, compared to 11.4% in the same period last year, primarily due to significantly increased volumes and also changes in product and segment mix.

Revenues from our Networked Storage Solutions products were \$271.0 million as compared to \$165.7 million in the same quarter a year ago, an increase of 63.5%. Gross profit margin in the Networked Storage Solutions business was 15.2% as compared to 11.1% a year ago. Revenues from our Storage Infrastructure products were \$48.0 million as compared to \$18.2 million in the same quarter a year ago, an increase of 164%. Gross profit margin in the Storage Infrastructure business was 34.7% as compared to 15.2% a year ago.

I am very pleased with the strong results for the quarter. We increased revenues by more than 30% over the prior quarter, and the results represent a very dramatic turnaround from the position faced 12 months ago. Given the strong demand and actions needed to secure additional supply of components, I felt we did a good job of executing to our customers requirements, said Steve Barber, CEO of Xyratex. I feel our continued strategic investments during 2009, a period of economic uncertainty, combined with our focus on strong execution, innovation and improved efficiencies, enabled our record revenues and profits. The fundamentals of the markets we serve continue to be very good and I believe we continue to improve on our competitive position and technology. We will continue to work with our customers to make them more competitive in their respective markets and remain flexible in meeting their technology and product demands.

Business Outlook

The following statements are based on current expectations. These statements are forward-looking, and actual results may differ materially.

- Revenue in the second quarter of 2010 is projected to be in the range \$400 to \$460 million.
- Fully diluted earnings per share is anticipated to be between \$1.00 and \$1.53 on a GAAP basis in the second quarter. On a non-GAAP basis fully diluted earnings per share is anticipated to be between \$1.10 and \$1.63. Non-GAAP earnings per share excludes amortization of intangible assets, equity compensation expense, specified non-recurring items and related taxation expense.

Conference Call/Webcast Information

Xyratex quarterly results conference call will be broadcast live via the internet at <http://www.xyratex.com/investors> on Wednesday, March 31, 2010 at 1:30 p.m. Pacific Time/4:30 p.m. Eastern Time. You can also access the conference call by dialing +1 (866) 700-6293 in the United States and +1 (617) 213-8835 outside of the United States, passcode 21461915. The press release will be posted to the company web site www.xyratex.com.

A replay will be available through April 7, 2010 following the live call by dialing +1 (888) 286-8010 in the United States and +1 (617) 801-6888 outside the United States, replay code 58870632.

(1) Non-GAAP net income (loss) and diluted earnings (loss) per share excludes (a) amortization of intangible assets, (b) equity compensation expense, (c) specified non-recurring items such as restructuring costs and (d) the related tax effects. Reconciliation of non-GAAP net income (loss) and diluted earnings (loss) per share to GAAP net income (loss) and GAAP diluted earnings (loss) per share is included in a table immediately following the condensed consolidated statements of cash flow below.

The intention in providing these non-GAAP measures is to provide supplemental information regarding the Company's operational performance while recognizing that they have material limitations and that they should only be referred to with reference to the corresponding GAAP measure.

The Company believes that the provision of these non-GAAP financial measures is useful to investors and investment analysts because it enables comparison to the Company's historical operating results, those of competitors and other industry participants and also provides transparency to the measures used by management in operational and financial decision making. In relation to the specific items excluded: (a) intangible assets represent costs incurred by the acquired business prior to acquisition, are not cash costs and will not be replaced when the assets are fully amortized and therefore the exclusion of these costs provides management and investors with better visibility of the costs required to generate revenue over time; (b) equity compensation expense is non-cash in nature, is outside the control of management during the period in which the expense is incurred; (c) restructuring costs are not comparable across periods or with other companies; (d) the exclusion of the related tax effects of excluding items (a) to (c) is necessary to show the effect on net income of the change in tax expense that would have been recorded if these items had not been incurred.

Safe Harbor Statement

This press release contains forward looking statements. These statements relate to future events or our future financial performance, including our projected revenue and fully diluted earnings per share data (on a GAAP and non-GAAP basis) for the second quarter. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward looking statements. Factors that might cause such a difference include our inability to compete successfully in the competitive and rapidly changing marketplace in which we operate, failure to retain key employees, cancellation or delay of projects and adverse general economic conditions in the United States and internationally. These risks and other factors include those listed under "Risk Factors" and elsewhere in our Annual Report on Form 20-F as filed with the Securities and Exchange Commission (File No. 000-50799).

In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, intends, plans, anticipate, believes, estimates, predicts, potential, continue, or the negative of these terms or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

About Xyratex

Xyratex is a leading provider of enterprise class data storage subsystems and storage process technology. The company designs and manufactures enabling technology that provides OEM and disk drive manufacturer customers with data storage products to support high-performance storage and data communication networks. Xyratex has over 25 years of experience in research and development relating to disk drives, storage systems and high-speed communication protocols.

Founded in 1994 in an MBO from IBM, and with headquarters in the UK, Xyratex has an established global base with R&D and operational facilities in Europe, the United States and South East Asia.

For more information, visit www.xyratex.com.

Contacts:

Xyratex Investor Relations

Brad Driver

Tel: +1 (510) 687-5260

Email: bdriver@us.xyratex.com

Website: www.xyratex.com

XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended,	
	February 28, 2010	February 28, 2009
(US dollars in thousands, except per share amounts)		
Revenues:		
Networked Storage Solutions	\$ 270,983	\$ 165,725
Storage Infrastructure	47,983	18,160
Total revenues	318,966	183,885
Cost of revenues	261,368	162,993
Gross profit:		
Networked Storage Solutions	41,313	18,389
Storage Infrastructure	16,636	2,768
Equity compensation	(351)	(265)
Total gross profit	57,598	20,892
Operating expenses:		
Research and development	18,115	18,747
Selling, general and administrative	11,572	13,827
Amortization of intangible assets	978	966
Restructuring costs		3,116
Total operating expenses	30,665	36,656
Operating income (loss)	26,933	(15,764)
Interest income (expense), net	(24)	60
Income (loss) before income taxes	26,909	(15,704)
Provision for income taxes	632	424
Net income (loss)	\$ 26,277	\$ (16,128)
Net earnings (loss) per share:		
Basic	\$ 0.88	\$ (0.55)
Diluted	\$ 0.85	\$ (0.55)
Weighted average common shares (in thousands), used in computing net earnings (loss) per share:		
Basic	29,719	29,236
Diluted	30,762	29,236

XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	February 28, 2010	November 30, 2009
	(US dollars and amounts in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 53,720	\$ 51,935
Accounts receivable, net	201,552	124,715
Inventories	158,771	108,625
Prepaid expenses	4,192	4,784
Deferred income taxes	405	405
Other current assets	3,715	5,825
Total current assets	422,355	296,289
Property, plant and equipment, net	43,617	44,485
Intangible assets, net	6,226	7,207
Deferred income taxes	6,269	6,269
Total assets	\$ 478,467	\$ 354,250
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 180,770	\$ 96,386
Employee compensation and benefits payable	13,039	8,580
Deferred revenue	24,182	10,620
Income taxes payable	2,614	2,013
Other accrued liabilities	13,601	17,413
Total current liabilities	234,206	135,012
Long-term debt		
Total liabilities	234,206	135,012
Shareholders equity		
Common shares (in thousands), par value \$0.01 per share 70,000 authorized, 30,144 and 29,461 issued and outstanding	301	295
Additional paid-in capital	373,542	370,925
Accumulated other comprehensive income (loss)	(279)	3,598
Accumulated deficit	(129,303)	(155,580)
Total shareholders equity	244,261	219,238
Total liabilities and shareholders equity	\$ 478,467	\$ 354,250

XYRATEX LTD

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended	
	February 28, 2010	February 28, 2009
	(US dollars in thousands)	
Cash flows from operating activities:		
Net income (loss)	\$ 26,277	\$ (16,128)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	4,460	4,493
Amortization of intangible assets	978	966
Non-cash equity compensation	2,157	1,530
Loss on sale of assets	61	
Changes in assets and liabilities, net of impact of acquisitions and divestitures		
Accounts receivable	(76,837)	54,394
Inventories	(50,146)	16,581
Prepaid expenses and other current assets	(896)	(327)
Accounts payable	84,384	(44,903)
Employee compensation and benefits payable	4,459	(1,827)
Deferred revenue	13,562	(3,240)
Income taxes payable	601	354
Deferred income taxes		1
Other accrued liabilities	(4,088)	(1,566)
Net cash provided by operating activities	4,972	10,328
Cash flows from investing activities:		
Investments in property, plant and equipment	(3,653)	(4,606)
Net cash used in investing activities	(3,653)	(4,606)
Cash flows from financing activities:		
Proceeds from issuance of shares	466	87
Net cash provided by financing activities	466	87
Change in cash and cash equivalents	1,785	5,809
Cash and cash equivalents at beginning of period	51,935	28,013
Cash and cash equivalents at end of period	\$ 53,720	\$ 33,822

XYRATEX LTD

SUPPLEMENTAL INFORMATION

Three Months Ended
February 28, February 28,
2010 2009
(US dollars in thousands, except
per share amounts)

Summary Reconciliation Of GAAP Net Income (Loss) To Non-GAAP Net Income (Loss)

GAAP net income (loss)	\$	26,277	\$	(16,128)
Amortization of intangible assets		978		966
Equity compensation		2,157		1,530
Restructuring costs				3,116
Non-GAAP net income (loss)	\$	29,412	\$	(10,516)

Summary Reconciliation Of Diluted GAAP Earnings (Loss) Per Share To Diluted Non-GAAP Earnings (Loss) Per Share

Diluted GAAP earnings (loss) per share	\$	0.85	\$	(0.55)
Amortization of intangible assets		0.03		0.03
Equity compensation		0.08		0.05
Restructuring costs				0.11
Tax effect of non-GAAP adjustments				
Diluted non-GAAP earnings (loss) per share	\$	0.96	\$	(0.36)

Summary Of Equity Compensation

Cost of revenues	351	265
Research and development	718	510
Selling, general and administrative	1,088	755
Total equity compensation	2,157	1,530

SIGNATURES

Edgar Filing: XYRATEX LTD - Form 6-K

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

XYRATEX LTD
(Registrant)

Date: March 31, 2010

By: /s/ Richard Pearce
Name: Richard Pearce
Title: Chief Financial Officer
